

PRESS RELEASE

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WHAT ISN'T COVERED BY YOUR HOMEOWNERS INSURANCE?

NAIC Survey Shows Lack of Awareness Among Consumers When it Comes to Their Homeowners Policies

CONCORD, NH, June 13, 2007 — A large percentage of U.S. homeowners mistakenly believe that standard homeowners insurance protects them from a wide array of perils, according to new research by the National Association of Insurance Commissioners (NAIC), of which the New Hampshire Insurance Department is a member. In fact, typical property and liability policies don't cover home damage from floods, earthquakes, water line breaks, termites, mold and several other perils, large and small.

The survey found that 33 percent of U.S. heads of household, who own a home and have homeowners insurance, incorrectly believe flood damages would be covered by a standard homeowners or property and liability policy, despite extensive media coverage on Hurricane Katrina victims whose claims were denied because they lacked flood insurance.

“Many homeowners learned the hard way that their insurance policies did not provide flood protection,” said Insurance Commissioner Roger Sevigny. “As we enter the 2007 hurricane season, we strongly encourage consumers in flood-prone areas to check whether they are properly covered.”

According to the NAIC, flood insurance policies are available from the federal government's National Flood Insurance Program (NFIP) and are often sold by agents that sell homeowners policies.

“There are some limitations in flood insurance policies that differ from standard homeowners policies,” Commissioner Sevigny said. “Excess flood insurance is often

available from private insurers when people seek to insure high-value homes that exceed the limits offered by the NFIP.”

The NAIC survey also revealed other homeowner misunderstandings when it comes to common loss situations — none of which are covered by standard homeowners insurance policies — such as:

- 68 percent think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered.
- 51 percent think damages from a break in the water line on their property supplying water to their home are covered.
- 37 percent think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered.
- 35 percent think damages from earthquakes are covered.
- 34 percent think damages from mold are covered.
- 31 percent think damages from termites or other infestation are covered.
- 22 percent think pets stolen from or injured on their property are covered.

“Many homeowners could be seriously harmed financially by misunderstandings about their insurance,” Sevigny said. “It’s critical that consumers look closely at their policies and ask their insurance agents detailed questions to become fully aware of what is, and what is not, covered.”

The NAIC survey revealed another type of potential consumer misunderstanding. Twenty-four percent of respondents indicated their policies insured their homes for the actual cash value, while 64 percent said their policies covered the replacement cost. Another 12 percent said they did not know which type of coverage — actual cash value or replacement cost — they purchased.

Actual cash value is the amount it would take to repair or replace damage to a home and its contents after depreciation. **Replacement cost** is the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation.

“It’s important that consumers understand this distinction,” said Commissioner Sevigny. “In the event of a covered loss, an actual cash value payout could be thousands of dollars lower than a benefit calculated at the replacement cost.”

The NAIC survey also uncovered a growing concern among homeowners about being sued. Twenty-eight percent of respondents reported they were more concerned today than they were five years ago about being the target of a lawsuit.

“Consumers can better protect themselves from lawsuits by adding umbrella liability coverage to their homeowners policy,” Sevigny said. According to the NAIC survey, a majority of homeowners — 63 percent — lack this umbrella coverage.

The NAIC provides extensive information, tips and considerations regarding homeowners insurance on its consumer education Web site, Insure U. Go to the NH Insurance Department's web site at www.nh.gov/insurance and click on the Insure U icon on the home page. The entire site is also available in Spanish (www.insureuonline.org/espanol).

Insurance Tips for Homeowners from the NAIC's Insure U Web Site

- Add insurance coverage as you enhance the value of your home and acquire expensive possessions, such as furniture, computers, stereos and televisions.
- Alert your insurance company when making any major home improvements — usually anything more than \$5,000. Also, update your homeowners insurance policy to reflect the new enhancements and prevent being underinsured.
- In maintaining your residence, realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Backyard items, such as a trampoline or pool, may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.
- As you acquire more valuables — jewelry, family heirlooms, antiques, art — consider purchasing an additional “floater” or “rider” to your policy to cover these special items. They're typically not covered by a basic homeowners or renters policy.
- It's a good idea to make an inventory of all of your personal property, along with a photograph or video of each room. Also, save your receipts for major items and keep them in a safe place away from your house or apartment. That will make it easier if you ever need to file a claim.

“Consumers also should protect themselves from being scammed by fake insurance companies selling bogus insurance policies,” said the Insurance Commissioner. “All they need to do is take a few minutes to stop, call the New Hampshire Insurance Department, and confirm that a company is legitimate and authorized to sell insurance in New Hampshire before purchasing insurance.”

Consumers who want to check on an insurance company before purchasing a policy or who have other questions about insurance should contact the NH Insurance Department at 1-800-852-3416.

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ABOUT THE NH INSURANCE DEPARTMENT

The first insurance regulator in the US, the NH Insurance Department was created in 1851 and charged with enforcing and administering New Hampshire's insurance laws.

The department, an agency of the executive branch of New Hampshire state government, conducts safety and soundness and market conduct examinations of licensees; licenses insurance companies, insurance producers and others; reviews premium rates and policy forms; provides assistance, information and referral services to New Hampshire insurance consumers; and administers the filing and collection of New Hampshire's insurance premium tax. For more information, visit the New Hampshire Insurance Department's web site at: www.nh.gov/insurance.

ABOUT THE NAIC

Headquartered in Kansas City, Missouri, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and the five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit NAIC on the Web at: http://www.naic.org/press_home.htm

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